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EXCISE

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INQUIRE=DOC18D
ITEM NO=00619891
ENVELOPE

CDSN = LGX279 MCN = 92228/08355 TOR = 922280829
RTTCZYUW RUEKJCS1088 2280832-CCCC--RUEALGX.
ZNY CCCCC

HEADER

R 150832Z AUG 92
FM JOINT STAFF WASHINGTON DC
INFO RUEADWD/OCSA WASHINGTON DC
RUEAHQA/CSAF WASHINGTON DC
RUEADWD/PTC WASH DC
RUFGAID/USEUCOM AIDES VAIHINGEN GM
RHCGSRB/COMUSARCENT FT MCPHERSON GA//AFRD-DSO//
RUEOACC/CDRPSYOPGP FT BRAGG NC//AORC-PQG-SB//
RUWSMXI/AMC INTEL CEN SCOTT AFB IL//IN//
RUCJACC/USCINCCENT MACDILL AFB FL//CARA//
RUCQVAB/USCINCSOC INTEL OPS CEN MACDILL AFB FL
RUEOFAA/COMJSOC FT BRAGG NC//J2//
RULKQAN/MARCORINTCEN QUANTICO VA
RUEALGX/SAFE

R 150816Z AUG 92
FM AMEMBASSY RIYADH
TO RUEHC/SECSTATE WASHDC 8281
INFO RUEHZM/GCC COLLECTIVE
RUEATRS/TREASURY WASHDC
BT

CONTROLS

C O N F I D E N T I A L SECTION 01 OF 02 RIYADH 06047

E.O. 12356: OADR

DEPARTMENT OF STATE

() RELEASE () DECLASSIFY
☒ EXCISE ☒ DECLASSIFY
() DENY IN PART
() DELETE Non-Responsive Info
FOIA Exemptions 131
PA Exemptions

IS/FPC/CDR

MR Cases Only:
EO Citations

TS authority to
() CLASSIFY as () S or () C OADR
() DOWNGRADE TS to () S or () C OADR

DRP Date. 9/8/94

/***** THIS IS A COMBINED MESSAGE *****/

BODY

TAGS: EFIN, SA

SUBJECT: TWO SAUDI VOICES OF REASON ATTEMPT TO MAKE SENSE
OF THE NCB SCANDAL

1. (C) SUMMARY: TWO RECENT SAUDI EDITORIALS HAVE
COUNTERED PREVIOUSLY PUBLISHED STATEMENTS AND COMMENTARY
THAT BLAMED IMAGINARY AMERICAN AND/OR ZIONIST
INTERNATIONAL CONSPIRACIES FOR THE LEGAL WOES OF SAUDI
BUSINESSMEN IMPLICATED IN THE BCCI SCANDAL. EACH
APPROACHED THE BCCI ISSUE ON THE BASIS OF ITS LEGAL AND
FACTUAL MERITS, IN CONTRAST TO THE HIGHLY POLITICIZED,
EMOTIONAL APPROACH TAKEN BY SOME PUNDITS AND THE
COFFEE-HOUSE CIRCUIT. THIS IS UNUSUAL, GIVEN THE
SELF-CENSORSHIP PREVALENT HERE THAT PRECLUDES PUBLICATION
OF ARTICLES SPECIFICALLY CRITICIZING SAUDI INDIVIDUALS OR
ORGANIZATIONS.

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END SUMMARY

2. (U) ONE OF THE TWO ARTICLES, "A MENTAL CRISIS, NOT A BANK'S CRISIS", APPEARED IN THE JULY 15 ISSUE OF AL-MAJALAH, A LONDON-BASED SAUDI WEEKLY ENJOYING WIDE CIRCULATION DOMESTICALLY AND IN THE REST OF THE ARAB WORLD. ITS AUTHOR, ABDURRAHMAN AL-RASHID, IS THE SAUDI ASSISTANT DEPUTY MINISTER FOR INTERNAL INFORMATION.

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4. (U) IN THE ARTICLE, AL-RASHID DENOUNCES OTHER SAUDI WRITERS WHO CHARACTERIZED THE INDICTMENT OF KHALID BIN MAHFOUZ AND NCB AS AN ANTI-ARAB CONSPIRACY. AL-RASHID NOTES THAT THE AGGRESSIVE, ANTI-WESTERN TONE WHICH CHARACTERIZED MOST OF THE ARTICLES DEALING WITH THIS ISSUE WOULD BE NATURAL COMING FROM WRITERS AND POLITICAL ANALYSTS IN ALGERIA, LEBANON OR PALESTINE (SIC). IT IS FAR HARDER TO SWALLOW SUCH ACCUSATIONS OF INTERNATIONAL ZIONIST CONSPIRACY FROM GULF STATE INTELLECTUALS WHO, HE WRITES, ENJOY A MUCH MORE RELAXED POLITICAL RAPPORT WITH THE WEST.

5. (U) WHAT IS REALLY AT ISSUE, AL-RASHID NOTES, ARE U.S. BANKING REGULATIONS THAT CLEARLY STIPULATE FOREIGNERS BUYING MAJOR SHARES IN DOMESTIC BANKS MUST BRING IT TO THE ATTENTION OF THE CONCERNED AUTHORITIES. A NUMBER OF ARAB BUSINESSMEN, BANKS, AND BCCI WERE INDICTED FOR VIOLATING THIS REQUIREMENT BY PROVIDING INCORRECT INFORMATION ABOUT THEIR HOLDINGS IN U.S. BANKS. AFTER ALL, THESE INDIVIDUALS HAVE VOLUNTARILY CHOSEN TO INVEST IN THE WEST, KNOWING AND ACCEPTING BEFOREHAND THEIR RULES AND REGULATIONS GOVERNING BUSINESS PRACTICES.

6. (U) AL-RASHID GOES ON TO POINT OUT THAT EVEN PROMINENT WESTERN BUSINESSMEN ARE NOT ABOVE THE LAW. THE HEIRS OF THE LATE ROBERT MAXWELL HAVE BEEN INDICTED FOR SERIOUS LEGAL VIOLATIONS THEIR FATHER IS BELIEVED TO HAVE COMMITTED. SCORES OF JEWISH BUSINESSMEN (AL-RASHID'S CHARACTERIZATION) WERE SENTENCED FOR FINES OR IMPRISONMENT, INCLUDING "MILLIKEN, NEW YORK'S MOST REPUTABLE BROKER." THE ATTITUDE OF FINDING SOMEONE ELSE TO BLAME FOR OUR MISTAKES OUGHT TO STOP, AL-RASHID SAYS.

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7. (U) WE ARABS HAVE LEARNED A GOOD LESSON FROM THE NCB CASE, RASHID CONCLUDES. FIRST: NO BUSINESSMAN, NO MATTER HOW RICH, IS IMMUNE FROM LEGAL LIABILITY -- THIS IS ESPECIALLY TRUE WHEN IT INVOLVES HEAVYWEIGHT STATES WHOSE REACH OF JURISDICTION EXTENDS ANYWHERE IN THE WORLD. SECOND: METAPHORS MAY BE GOOD FOR POLITICS, BUT NOT NECESSARILY FOR BUSINESS. INSTEAD OF BEING A "BANK FOR THE THIRD WORLD", BCCI TURNED OUT TO BE A "SHAME FOR THE THIRD WORLD." THIRD: WHOEVER TAKES FINANCIAL RISKS SHOULD NOT SEEK COVER BY INVOLVING HIS COUNTRY IN MURKY ACCUSATIONS OF ZIONIST OR WESTERN CONSPIRACIES. SUCH SAUDI BUSINESSMEN SOUGHT MAXIMUM PROFITS FOR THEIR BEST INTEREST IN THE FIRST PLACE, ONLY TO FALL PREY TO THIRD WORLD TRICKERY, NOT WESTERN CONSPIRACY. THEY GOT INVOLVED

/***** BEGINNING OF SECTION 002 *****/

IN A BUSINESS ATTRACTED BY LUCRATIVE INVESTMENTS, ONLY TO FIND THEY SLID INTO A SWAMP OF THIEVES.

8. (LOU) THE SECOND ARTICLE, APPEARING IN AL-YAMAMAH MAGAZINE, ALTHOUGH LESS CRITICAL OF BIN MAHFOUZ AND NCB, IS NOT DEVOID OF ANTIPATHY FOR THEM. AL-YAMAMAH, A PRIVATELY-OWNED SAUDI WEEKLY POLITICAL AND CULTURAL MAGAZINE, IS REGARDED AS THE MAGAZINE FOR THE SAUDI INTELLECTUAL ELITE. AL-YAMAMAH OFTEN COVERS SUBJECTS THAT OTHERS DO NOT DARE PUBLISH. THE WRITER OF THIS ARTICLE, DR. ABDULLAH NASSIR AL-FAWZAN, IS ON THE TEACHING STAFF OF KING SAUD UNIVERSITY.

9. (U) AL-FAWZAN COMPARES THE NCB CRISIS WITH THAT OF A SON WHO GOT INVOLVED IN A TRAFFIC ACCIDENT AS A RESULT OF SPEEDING THROUGH A RED TRAFFIC LIGHT. IT WOULD BE TOO LATE TO REPRIMAND THE SON IF HE WERE SERIOUSLY INJURED IN THE ACCIDENT. BUT IF HIS INJURY WAS SLIGHT, THEN HE SHOULD BE PUNISHED TO ENSURE THAT HE WOULD NOT MAKE THE SAME MISTAKE AGAIN. THE SON IN THIS CASE IS BIN MAHFOUZ, AND THE VEHICLE IS NCB.

10. (U) WERE IT PROVEN THAT BIN MAHFOUZ HAD CROSSED A RED TRAFFIC LIGHT, HE WOULD BE SUBJECT TO DISCIPLINARY ACTION AT HOME FIRST, OUT OF CONCERN FOR HIS FUTURE, AL-FAWZAN WRITES. AL-FAWZAN CRITICIZES ARTICLES WRITTEN BY WELL-KNOWN AND RESPECTED SAUDIS, INCLUDING FORMER MINISTERS AND UNIVERSITY PROFESSORS, WHICH SIDED DEFENSIVELY WITH NCB, AND WHICH WERE DRIVEN BY EMOTIONALISM RATHER THAN RATIONALITY. THESE AUTHORS' IRRESPONSIBLE AND DRAMATIC REACTION TO THE SCANDAL COULD VERY WELL LEAVE AN IMPRESSION AMONG BANK DEPOSITORS THAT THE CASE IS SERIOUS, WHICH IN TURN COULD CONTRIBUTE TO A BANK RUN -- NOT TO MENTION THE POSITION THE U.S. JURY MIGHT TAKE AS A RESULT OF SUCH AGGRESSIVENESS.

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11. (U) THERE IS, HOWEVER, COMPELLING EVIDENCE THAT NCB AND THE BANK'S OFFICIALS COULD, AND ACTUALLY DID, CROSS THE RED LIGHT SEVERAL TIMES IN THE PAST, AL-FAWZAN WRITES. NCB DID SO ONCE WHEN IT PERSISTENTLY REFUSED TO PUBLISH THE BANK'S FINANCIAL STATEMENT. UNDER NO CIRCUMSTANCES SHOULD A BANK THAT HAS OVER SR 80 BILLION IN ASSETS, NOT TO MENTION SR 70 BILLION IN LIABILITIES, CONCEAL SUCH INFORMATION FROM ITS DEPOSITORS. (NOTE: SR 3.75 EQUAL USD ONE.)

12. (U) NCB CROSSED THE RED LIGHT AGAIN, AS REVEALED IN THE BANK'S LAST PUBLISHED STATEMENT, WHEN ITS OFFICIALS THEMSELVES BORROWED HUNDREDS OF MILLIONS FROM NCB'S ASSETS, ONLY TO DEFAULT ON THEM WHEN REPAYMENT CAME DUE. THESE OFFICIALS INSTEAD POSTED THEM AS NON-PERFORMING OR DOUBTFUL DEBTS.

13. (U) AL-FAWZAN CONCLUDES THAT IT IS EVERY SAUDI'S DUTY TO PROTECT BIN MAHFOUZ AND NCB FROM THEIR MISTAKES BY RESORTING TO DISCIPLINARY MEASURES. HE ADDS THAT THOSE SAUDI WRITERS WHO REACTED IN SUCH A DRAMATIC WAY TO THE INDICTMENT SHOULD RESORT TO REASON IN THE FUTURE.

14. (C) COMMENT: IT IS HIGHLY UNUSUAL FOR SAUDI PUBLICATIONS TO CRITICIZE SAUDI INDIVIDUALS OR ORGANIZATIONS.

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END COMMENT

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ADMIN

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